



KPMG LLP  
1601 Market Street  
Philadelphia, PA 19103-2499

Wayne Lemons, Director  
Delaware State Lottery  
Dover, DE

October 9, 2007

Mr. Lemons:

We have audited the financial statements of the Delaware State Lottery, for the year ended June 30, 2007, and have issued our report thereon dated October 9, 2007. In planning and performing our audit of the financial statements of the Delaware State Lottery, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

1) *Video and On-line SAS 70 Examinations*

*Discussion* – The Delaware State Lottery utilizes the third party service provider, Scientific Games, to supply the systems, staff, supplies and facilities to maintain to run the Video, Instant and Online lotteries. While Scientific Games’ instant lottery system, GMS, does have a type II SAS 70 performed annually; the video and online systems do not. Instead video and online systems are examined on a bi-annual basis by an independent external auditor.

*Cause* – Historically, Lottery SAS 70 examinations have been performed on a bi-annual basis.

*Recommendation* – Lottery management should amend their current contract with Scientific Games so that a SAS 70 examination is performed on all systems annually.

2) *Change Control Log – Scientific Games System*

*Discussion* – The Delaware State Lottery’s third party service provider, Scientific Games, does not maintain a system change control log. Instead, all system changes are documented on separate release notes and forwarded to lottery management for review. While both Lottery and Scientific Games personnel maintain copies of all approved release notes, there is no way to ensure that the release notes maintained represent the only changes to the gaming systems.

*Cause* – Change control log not deemed necessary to conduct daily operations.



*Recommendation* – Lottery management should encourage their third party service provider to modify their current system by adding a system change control log.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the company's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**